Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Text

CONFIDENTIAL

PAGE 01 CAIRO 09070 01 OF 02 031258Z

42
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
---------- 004543
R 031218Z JUL 76
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 4963
INFO AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

C O N F I D E N T I A L SECTION 1 OF 2 CAIRO 9070

EXDIS

E.O. 11652: GDS
TAGS: ETRD, EINV, EG
SUBJECTGC ARAB BOYCOTT: COCA COLA

REFS: (A) CAIRO 7656; (B) CAIRO 8982

1. VICE PRESIDENT AYOUB OF COCA COLA CALLED ON AMBASSADOR JULY 2, FOR DISCUSSION OF CURRENT STATUS OF COMPANY'S EFFORTS TO INVEST IN EGYPT AND BE REMOVED FROM BOYCOTT BLACKLIST.

2. ON BOYCOTT QUESTION, AYOUB REPORTED HE HAS LEARNED THAT SPECIAL BOYCOTT MEETING HELD IN DAMASCUS, JUNE 7, TOOK NO ACTION BECAUSE OF EXTREMELY BAD FEELINGS AMONG PARTICIPANTS, PARTICULARLY EGYPT AND SYRIA. HE ADMITS POSSIBILITY THAT SOME DECISIONS WERE REACHED WHICH ARE BEING VERY CLOSELY HELD.

3. IN RECENT CONVERSATIONS WITH MINHOUSING AND RECONSTRUCTION OSMAN, AYOUB WAS AGAIN REASSURED THAT GOE WILL HANDLE THE BOYCOTT QUESTION. OSMAN TOLD COKE CHAIRMAN AUSTIN IN NEW YORK THAT SADAT DISAPPROVED OF BOYCOTT. HANDLING BOYCOTT IS EGYPT'S TASK AND THAT COMPANY SHOULD NOT WORRY ABOUT IT. LATEST WRINKLE IS DISCOVERY OF "EMERGENCY RULE" WHICH
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PAGE 02 CAIRO 09070 01 OF 02 031258Z

PERMITS ANY MEMBER OF ARAB LEAGUE TO REMOVE SPECIFIC

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

COMPANY FROM LIST ON GROUNDS OF WHAT IT CONSIDERS
EMERGENCY. REMOVAL APPLIES ONLY TO HOST COUNTRY,
BUT ACCORDING TO INTERPRETATION GIVEN TO AYOUB,
COVERS ALL PRODUCTS OF COMPANY. THUS, PERMISSION
TO MAKE AGRICULTURAL INVESTMENT WOULD ALSO PERMIT
SALE OF COKE ESSENCE. BOYCOTT REGULATIONS RPORTEDLY
REQUIRE EMERGENCY PROVISION TO BE SUBSEQUENTLY
APPROVED BY FULL COMMISSION, BUT EACH OTHER MMBER
STATE MUST THEREAFTER TAKE POSITIVE ACTION TO LIFT
BOYCOTT. AYOUB FEELS THAT MOST OTHER ARAB STATES WILL
ALSO REMOVE COKE FROM BLACKLIST IN THE EVENT EGYPT
INVOKES EMERGENCY RULE AND IT IS LATER APPROVED.

4. AYOUB SAID THAT CONSTANT THEME IN MEETINGS WITH
GOE OFFICIALS IS THAT BOYCOTT QUESTION MUST NOT BE
RUSHED. IT IS COMPLICATED MATTER WHICH TAKES TIME,
AND NOTHING WILL BE GAINED BY PUSHING. AYOUB HAS
ALSO BEEN INFORMED BY GOE THAT BOYCOTT COMMISSIONER
MAHGOUB HAS AGREED THAT HE WILL NEITHER SUPPORT NOR
OPPOSE ANY APPLICATION FOR REMOVAL OF COCA COLA
(AND FORD) FROM BOYCOTT WHEN IT COMES FORWARD. HE
WILL TAKE NEUTRAL POSITION. AMBASSADOR NOTED THAT
MAHGOUB'S INFLAMATORY STATEMENTS AS REPORTED BY
VICKERS OF WALL STREET JOURNAL CAN CERTAINLY NOT
BE CONSIDERED HELPFUL. AYOUB SAID THAT ON BASIS
HIS INFORMATION, CONVEYED BY ABBAS HILMI, QUOTATIONS
IN VICKER'S ARTICLE WERE EXAGGERATED AND THAT HE
NEVER MADE STATEMENTS ATTRIBUTED TO HIM. AMBASSADOR
NOTED THAT VICKERS IS COMPETENT AND RESPONSIBLE NEWS-
MAN WHO WOULD BE UNLIKELY TO EXAGGERATE, PARTICULARLY
AS QUOTATION, STATEMENTS MADE TO HIM. FAHMY'S PRE-
OCCUPATION WITH LEBANON AND MOHAMED RIAD'S ABSENCE IN
MAURITIUS HAVE MADE IT IMPOSSIBLE FOR US TO GET HIGH
LEVEL EGYPTIAN REACTION TO MAHGOUB'S UNHELPFUL
COMMENTS. RIAD IS DUE BACK NEXT WEEK AT WHICH TIME
AMBASSADOR HOPES TO SPEAK TO HIM ABOUT THIS. AYOUB
ALSO HOPES SEE HIM.

5. WITH REGARD TO AGRICULTURAL INVESTMENT, AYOUB
SAID THAT SIX EXPERTS FROM COKE ARE PRESENTLY IN
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PAGE 03 CAIRO 09070 01 OF 02 031258Z

EGYPT TO INSPECT AREA IN EL MULAK IN WHICH COMPANY
IS CONSIDERING 15,000 ACRE DEVELOPMENT PROJECT.
COMPANY PLANS TO PRODUCE ORANGES AND LEMONS FOR EXPORT
TO EUROPE AND ARAB WORLD. APPROXIMATELY 150,000
TONS OF CITRUS FRUITS ARE GOAL, AFTER 4-5 YEARS OF
DEVELOPMENT EFFORT. ADDITIONAL 83,000 TONS PER YEAR
OF ORANGES WITH HIGH ACID CONTENT ARE ANTICIPATED
FOR USE IN PROCESSING PLANT TO PRODUCE JUICES FOR

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INDUSTRIAL USE, I.E.., AS CONTRIBUTION TO PREPARATION
OF ORANGE DRINK AND NOT AS JUICE FOR DIRECT CONSUMP-
TION. IRRIGATION WILL BE BY DRIP METHOD AND COMPANY
PLANS FAIRLY HEAVY INVESTMENT IN PUMPING STATIONS
AND CANALS. IN ORDER TO GENERATE LOCAL CURRENCY FOR
DOMESTIC COSTS (HOUSING, ROADS, ETC.) 2-3,000 ACRES
WILL BE DEVOTED TO VEGETABLE PRODUCTION FOR IN-COUNTRY
SALE.

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PAGE 01 CAIRO 09070 02 OF 02 031303Z

42
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
---------- 004613
R 031218Z JUL 76
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TO SECSTATE WASHDC 4964
INFO AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

C O N F I D E N T I A L SECTION 2 OF 2 CAIRO 9070

EXDIS

6. PUTTING THE POINT VERY STRONGLY, AYOUB REPORTED
THAT HE HAS REPEATEDLY ADVISED OSMAN THAT COKE WILL
NOT MAKE INVESTMENT UNDER PROVISIONS OF LAW 43.
COMPANY FINDS LAW UNACCEPTABLE AND BOTH SIDES CAN
SAVE THEMSELVES CONSIDERABLE TIME AND TROUBLE IF
EGYPTIANS ARE UNWILLING TO ACCEPT THIS PROPOSITION.
OSMAN IS REPORTED AS HAVING SAID THAT LAW 43 IS NOT
A PROBLEM. IT IS IN PROCESS OF BEING CHANGED, AND
COMMITTEE HAS ALREADY BEEN FORMED TO DO IT. AYOUB
ALSO REPORTS THAT OSMAN HAS NOW EXPRESSED SOME
DISSATISFACTION WITH PREVIOUSLY AGREED PARTICI-
PATION: COKE 60 PERCENT, EGYPTIANS 40 PERCENT.
OSMAN IS POINTING TO AGREEMENTS THEY HAVE OBTAINED
IN AGRICULTURAL INVESTMENTS BY OTHER FOREIGN FIRMS
WHAT HAVE BEEN SET UP ON BASIS STANDARD 51-49
EQUITY PARTICIPATION. AYOUB SAID HE INFORMED
OSMAN THAT COMPANY INTENDS TO STICK TO 60-40, AND

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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

IN ADDITION INSISTS ON MANAGEMENT CONTRACT WHICH WILL GIVE COKE FREE HAND IN RUNNING ENTERPRISE.

7. COMMENT: AYOUB APPEARS RELATIVELY CONFIDENT THAT PROBLEMS FACING COKE WILL EVENTUALLY BE RESOLVED. HE IS FAMILIAR WITH TACTICS AND PROBLEMS IN EGYPT, AND IS NEITHER DETERRED NOR MISLED BY DELAYS AND OBFUSCATIONS HE IS ENCOUNTERING. ON

THE OTHER HAND, HE MAY ALSO SUFFER FROM SAME OVERWHELMING OPTIMISM WHICH IS ENDEMIC IN EGYPT, AND WHICH INSISTS THAT PROBLEMS WILL GO AWAY.

8. ON BASIS OUR ANALYSIS OF SITUATION, COMPANY FACES TWO SERIOUS PROBLEMS. BOYCOTT IS FIRST ONE, AND GETTING COKE REMOVED FROM BLACKLIST COULD OBVIOUSLY BE A DIFFICULT AND PROTRACTED EXERCISE DESPITE GOE DESIRE TO DO SO. BEYOND THAT, HOWEVER, COMPANY APPEARS TO US TO BE FACING EVEN MORE COMPLEX ISSUES OF ACTUAL INVESTMENT. IF COKE IS UNWILLING TO ACCEPT PROVISIONS OF LAW 43, THEN, LIKE FORD AND SO MANY OTHERS, IT STANDS LITTLE LIKELIHOOD OF OBTAINING INVESTMENT APPROVAL IN NEAR TERM. LAW 43 MAY BE CHANGED - SOME DAY - BUT UNTIL IT IS, PROSPECTS FOR GOE APPROVAL OF ANY OTHER KIND OF INVESTMENT ARE REMOTE AT BEST.
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Margaret P. Grafeld
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EO Systematic Review
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